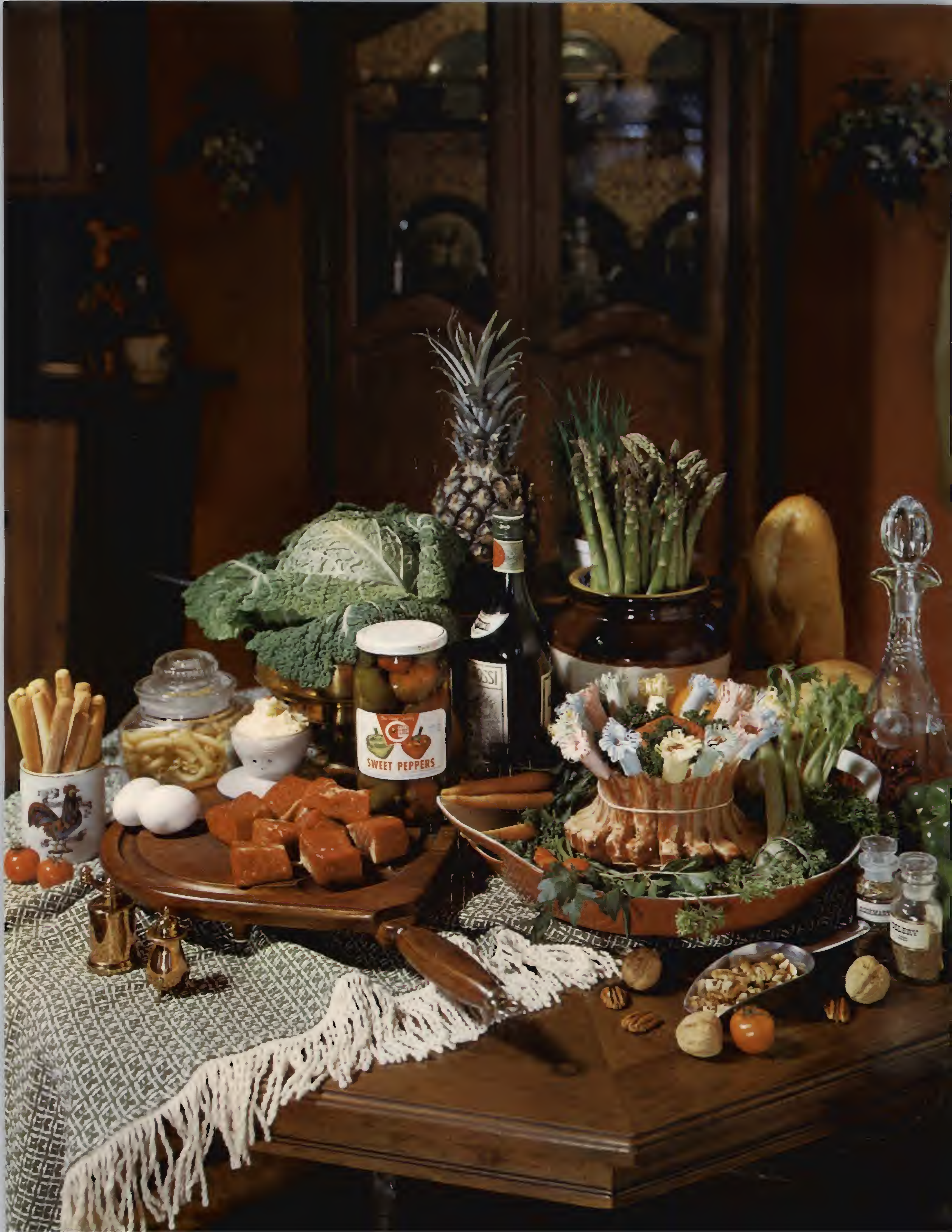
THE GRAND UNION COMPANY

GRAND UNION

ANNUAL REPORT 1966


SWEET PEPPERS

The Grand Union Company, 100 Broadway, East Paterson, New Jersey 07407

annual report

For The Fiscal Year
Ended February 25, 1967

1966

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annual meeting

The annual meeting of stockholders will be held at 11 A.M., Wednesday, May 24, 1967 in the auditorium of the Garden State Plaza Shopping Center, Routes 4 and 17, Paramus, New Jersey. A notice of the meeting, a proxy statement and form of proxy are being mailed to each stockholder with this report.

Financial Highlights 1966

	1966	1965
Net sales	$836,241,741	$779,683,407
Earnings before federal income taxes	20,303,811	20,352,125
Federal income taxes	9,400,000	9,500,000
Net earnings	10,903,811	10,852,125
Earnings per common share*	1.92	1.92
Cash dividends per common share* (Present annual rate 60 cents)	.59	.57
Net earnings as a percent of sales	1.30	1.39
Working capital	48,992,144	47,753,890
Ratio of current assets to current liabilities	1.97 to 1	1.94 to 1
Common shares outstanding	5,558,193	5,292,144
Number of common stockholders	15,369	14,696

**Based on the average number of shares outstanding during the respective periods, adjusted for the 5% common stock dividend paid May 27, 1966. Earnings per share are stated after dividends paid on the 4½% cumulative preferred stock.*

Store Locations

Grand Union Supermarkets

32	Connecticut
36	Florida
18	Maryland
6	Massachusetts
19	New Hampshire
58	New Jersey
277	New York
4	Pennsylvania
23	Vermont
20	Virginia
1	West Virginia
3	Washington, D. C.
13	Puerto Rico
Total 510	

Grand Way Department Stores

6	Connecticut Danbury, Manchester, New Britain, Stratford, Waterbury, West Haven
8	Florida Fort Lauderdale, Miami (3), St. Petersburg (2), Tampa, West Hollywood
4	New Jersey Closter, East Paterson, Keansburg, Paramus
12	New York Albany, Binghamton, Cortland, Elmira, Endicott, Nanuet, Newburgh, Plattsburgh, Poughkeepsie, Rome, Vestal, Wappingers Falls
1	Vermont South Burlington
Total 31	

Totals as of April 5, 1967

CHARLES G. RODMAN
President

THOMAS C. BUTLER
Chairman

to our stockholders

Grand Union sales in fiscal 1966 rose 7.3% to $836,241,741, compared with 1965 sales of $779,683,407.

Net income, after all taxes and depreciation, totaled $10,903,811, or $1.92 per share of common stock, based on the average number of shares outstanding during the year. This compares with 1965 earnings of $10,852,125, or $1.92 per share, after adjusting for the 5% stock dividend distributed in May, 1966.

The Directors, at their meeting on April 7, 1967, voted a year-end 5% stock dividend in addition to the regular quarterly cash dividend of 15¢. Both are payable May 19, 1967 to stockholders of record on April 20.

NEW CHAIRMAN, PRESIDENT ELECTED

With the retirement of John E. Raasch as Chairman of the Board last December, the Directors elected Thomas C. Butler, President and Chief Executive Officer of the company since 1960, to the post of Chairman. He continues as Chief Executive Officer. Mr. Raasch remains a Director and member of the Executive Committee of the Board.

Charles G. Rodman, Executive Vice President and a Director, was elected President and made a member of the Executive Committee of the Board. With Grand Union since 1952, Mr. Rodman had been a Vice President since 1960. He was elected a Director in 1963.

William H. Preis, a Vice President of the company since 1951, and Emerson E. Brightman, a Vice President since 1958, were both elected Senior Vice Presidents at the April meeting of the Board. Mr. Preis is President of both the company's wholly-owned Stop and Save Trading Stamp Corporation, which distributes Triple-S Blue Stamps, and Grand Union's affiliate in the incentive field, Performance Incentives Corporation. Mr. Brightman is in charge of all food store merchandising functions, including purchasing, sales and promotion, as well as warehousing, trucking and bakery manufacturing. Both have been Directors since 1963.

Dr. Helen G. Canoyer, Dean of the State College of Home Economics, Cornell University, Ithaca, New York, was elected a Director in September. She is the first woman to serve in this capacity.

Joseph L. Eckhouse, a Director since 1962 and Executive Vice President in charge of the company's Grand Way general merchandise operations, died unexpectedly on January 29, 1967. One of the nation's outstanding retailing executives, Mr. Eckhouse had made significant contributions to Grand Union's growth during four years with the company.

OTHER MANAGEMENT CHANGES

Shortly after the close of the 1966 fiscal year, Thomas R. Doyle, Regional Vice President, was elected a corporate Vice President. He is now in charge of supermarket operations, a post previously held by Mr. Rodman.

George W. Darby was appointed divisional Executive Vice President in charge of Grand Way general merchandise operations following the death of Mr. Eckhouse. Mr. Darby had been a divisional Vice President and the Operations Director of the Grand Way division.

Bernard A. Lubeck, Vice President in charge of Industrial Relations, retired in March, 1967, after more than fifty years with Grand Union. Barron Leeds, assistant to Mr. Lubeck for the past eight years, has assumed his major responsibilities in the area of labor relations.

CONSUMER PRESSURE ON PRICES

As forecast in last year's message to stockholders, rising prices for food put our business squarely in the spotlight of public attention in 1966. Housewives across the nation demonstrated against what they considered "too high" prices at the supermarket. Legislators at the state and national level joined in the outcry. Numerous bills were introduced seeking to establish consumer protection agencies and to regulate trading stamps, advertising, packaging and other aspects of food distribution.

While there was some easing of the food price situation in the final quarter of the year, when the amount of money required for family food needs dropped from 18.2% of after-tax income to a new low of 17.8%, the long-range trend for food prices is still upward.

The basic pressures remain. These include depletion of our post World War II food surpluses, growing demand from a rapidly increasing population with a still-rising income, diversion of food supplies from the domestic market to feed U.S. forces in Vietnam and elsewhere abroad and the need to fulfill the nation's commitments to alleviate hunger in India and other developing nations through the Food for Peace program.

These factors, coupled with steadily rising costs of doing business, make it virtually inevitable that higher food prices will remain a matter of vital public concern in 1967 and beyond.

Although picket lines in front of supermarkets disappeared after last year's elections and the advent of cold weather, consumer pressure for reduced prices has continued and can be expected to intensify.

Grand Union last year followed a basic three-point policy designed to insure successful operations in a period when food prices had been arbitrarily, and we think unfairly, chosen as a symbol of general inflation and supermarkets made the target of action by highly vocal consumer groups seeking to curb the upward spiral of prices for all consumer goods and services.

1. Constant effort was continued to control costs and increase efficiency as a means of keeping prices low.

2. Price increases for food products put into effect by manufacturers and processors were, insofar as possible and for as long as possible, wholly or partially absorbed so that our retail prices could remain effectively competitive.

3. Vigorous steps were taken to inform the public — customers, employees, stockholders, suppliers — of the facts about food prices and the all-out campaign being waged by our company and the food industry as a whole to keep them down.

That our 1966 sales increased substantially in the face of slackened consumer demand, especially noticeable in the final quarter of our fiscal year, is heartening evidence of the effectiveness of such measures.

That our earnings did not increase comparably is evidence that we must intensify our efforts to establish a better climate of public understanding in which to do business, now and in the future.

OUTLOOK FOR 1967

One of the major concerns as Grand Union enters its 1967 fiscal year is whether the slower pace of consumer spending that first became strongly apparent in the final quarter of 1966 will continue.

Company sales are up so far this year over last. In March, the gain was 9.3% over 1966. However, Easter fell in March this year and earlier-than-usual Spring shopping accounted for a part of the increase.

We feel there is every prospect that 1967 sales will be well ahead for the year as a whole as the result of the increased retailing capacity of new stores and those to be enlarged and remodeled. To improve company earnings, programs to control costs and increase productivity will be further intensified.

Beyond this, Grand Union has launched an all-out effort to counteract the adverse effects of public misunderstanding about the price of food. Despite last year's greater-than-usual rise in cost, food remains the greatest bargain in history. That is the essence of the story we will tell in 1967 with every resource at our command. We will use direct-line communications to employees and stockholders and a broadscale advertising and public relations program designed to reach each of our customers and the public at large.

Given better consumer understanding of our business and a general improvement in the nation's economy as the year progresses, sales by Grand Union in 1967 should set a new record and earnings should be maintained at a high level.

Our optimistic view on Grand Union's progress in 1967 is based not only on our confidence with respect to more economical and efficient operations and merchandising, but on confidence in the abilities of our people — the more than twenty-thousand men and women who *are* Grand Union — to move the company forward. Their outstanding capabilities, amply demonstrated in 1966 performance, can be counted on to make this year — the company's 95th — one of its best.

Thomas C Butler

Chairman of the Board

Charles G Rodman

President

April 20, 1967

Operating Review

Twenty-two new stores were opened by the company in 1966. Sixteen were Grand Union supermarkets; six were Grand Way Department stores.

Further expansion came through substantial enlargement of nine supermarkets and two department stores.

Altogether, 878,000 square feet of new retailing space was put into operation in 1966, as compared to 544,000 in 1965.

Renovation of twenty-eight Grand Unions and two Grand Ways contributed to keeping the company's stores modern, up-to-date and fully competitive. Ninety-five per cent of its retail outlets are less than ten years old, or have been thoroughly renovated in that time.

Store growth in the field of general merchandise retailing was almost on target in 1966. In food retailing, however, expansion was short of expectations.

An unfavorable mortgage market in 1966 made financing difficult for many developers with whom the company had signed leases. This caused delay in the completion of a number of food stores, especially those scheduled to open in shopping centers.

While financing of new store construction will remain a problem, it is not expected to be nearly so severe this year. Indications are that in 1967 Grand Union will be able to open far more supermarkets than in 1966.

Among the twenty-seven planned many will be substantially larger than the 16,200 square foot average for the 1966 supermarkets. Construction of larger food stores in the 20-thousand-foot-and-up category is in response to a change in the shopping habits of residents of smaller communities and big-city suburbs.

Housewives today are ranging farther afield than ever before to find food stores offering the maximum in variety and convenience. This they will find in all the larger new Grand Union supermarkets.

GENERAL MERCHANDISE RETAILING

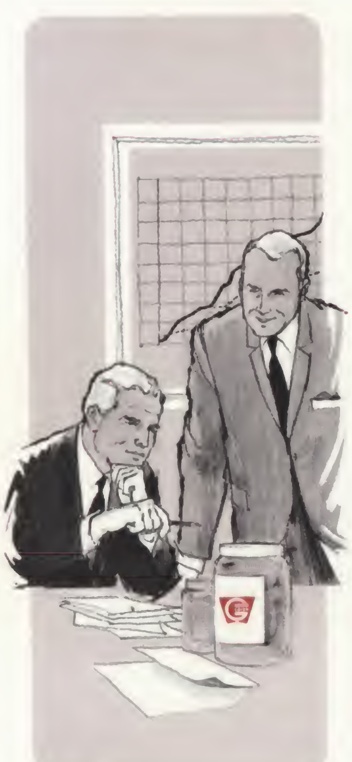
In opening six Grand Way department stores containing nearly half-a-million square feet of space in 1966, the company put into operation more general merchandise retailing facilities than in any year since it entered this field a decade ago.

While still a discount operation, Grand Way stores and merchandise offerings have been steadily up-graded in recent years. In decor and customer conveniences they compare with major full-line department stores. In scope, quality and depth of merchandise lines offered, they are competitive with the best promotional department stores.

One of the two Grand Ways scheduled for 1967 opened on March 8, in time for Easter, in Newburgh, New York. The second, in Bristol, Connecticut, is under construction. An early Fall opening is expected.

Another Grand Way is to be substantially enlarged this year and three completely renovated.

Through continued expansion and increasingly successful operation of existing stores, it is expected that the Grand Way general merchandise operation will make a substantially greater contribution to overall company sales



and earnings in the future than in the past.

MANPOWER DEVELOPMENT

A pioneer among major food chains in developing training programs for employees, Grand Union today has a personnel development program of great depth and scope. It ranges from store-level training for check-out girls to intensive two-week management seminars for executives that carry college credit.

More than 300 members of the company's managerial staff have completed the executive development program. Another 175 will take the course this year. Established in 1966, the program is offered in conjunction with New York University's Office of Special Services. Professors from the University conduct the seminars. University credits are given all who complete the course.

College students in steadily increasing numbers are being recruited each year from scores of campuses for the company's Management Training program. More than 60 young men are currently enrolled. Upon completion, each will assume responsible positions beginning with that of Assistant Store Manager. Graduates of the program, instituted in 1946, hold positions up to that of corporate Vice President.

Scholarships are awarded each year to promising employees who have demonstrated an interest in the food distribution programs conducted at Michigan State, Cornell University and the University of Massachusetts. Twenty-two former scholarship holders at these Universities are now company executives.

Since 1964, nearly 600 Grand Union employees have enrolled in courses offered by Cornell University through its Food Industry Home Study Institute. More than half have now completed one or more of the five courses available: Economics for Business, Food Distribution, Checkout Management, Business Law, Bookkeeping and Accounting.

Internal seminars covering every phase of operations are conducted in each of our ten divisions, including Grand Way. Seminars in Grocery, Meat, Produce and Dairy Merchandising, Delicatessen Clinics and General Business conferences are attended by more than 1,000 employees annually.

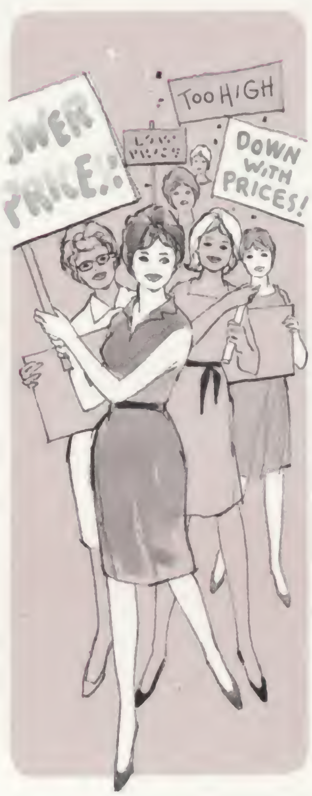
As our business becomes larger, more diverse and more sophisticated, it requires increasingly well-trained, better-educated people to run it successfully. Manpower planning and personnel development will continue to have top priority at Grand Union.

TRIPLE-S STAMP COMPANY

Consumer acceptance continued strong in 1966 for the Triple-S Blue trading stamps distributed by the company's wholly-owned Stop and Save Trading Stamp Corporation of South Hackensack, New Jersey.

Distribution of Triple-S stamps to the thousands of retailers who now give them to customers was higher last year than in any since Triple-S was established in 1955.

To better serve its growing clientele, Triple-S opened four new redemption centers during 1966 and relocated in



larger quarters or remodeled four other centers. There are now 59 redemption centers. Plans call for three new ones in 1967 and the remodeling or relocating of seven others.

PERFORMANCE INCENTIVES CORPORATION

Since its organization in 1961, our affiliate Performance Incentives Corporation has become a leader in the incentive award field.

U.S. business is expected to spend some $300-million in this area of motivational marketing in 1967, two-thirds of it with companies like PIC.

PIC programs, offering merchandise and travel awards, are designed to motivate people in virtually every field of business endeavor. Each campaign is tailor-made to meet the specific needs of the client. Most are designed to increase sales of a company's products or services. Other PIC-created programs have been used to reduce absenteeism, accidents and waste; to increase production; encourage the recruitment of new personnel and to stimulate employees to make useful, productive suggestions.

EASTERN SHOPPING CENTERS, INC.

Eastern Shopping Centers, Inc., of Yonkers, N.Y., Grand Union's real estate affiliate, completed its tenth year in 1966, with net earnings of $308,000 and a cash flow, representing net earnings plus depreciation, of $1,094,000.

Merger of Eastern Diversified, Inc. into Eastern Shopping Centers, completed last November, added income properties in Florida with annual rentals of more than $400,000. Also acquired were hundreds of acres of property in the Orlando and Cape Kennedy areas.

A $25 - million expansion program launched by Eastern Shopping Centers in 1965 has been substantially completed. Enlargement of its highly successful Prince George's Plaza near Washington, D.C. to encompass nearly a million square feet of retailing space was completed last August. Southroads Mall, the company's first covered mall shopping center providing year-round climate control, opened in Tulsa, Oklahoma, in February. Opening later this year in Grand Rapids, Michigan, will be Eastbrook, the second of Eastern's covered mall regional centers. Together, these two shopping centers represent more than 1,000,000 square feet of new store rental space.

Now operating twelve shopping centers in five states and managing a number of industrial and commercial projects in Florida, Eastern continues to look for new investment opportunities. Development of apartment houses adjacent to its centers in Oklahoma and Florida is being considered as a major diversification of activities in 1967 and 1968.

NORTH AMERICAN EQUIPMENT CORPORATION

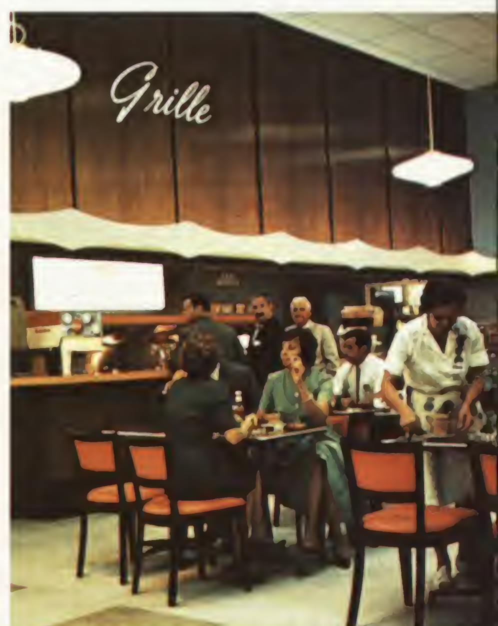
Business continued to be excellent in 1966 for North American Equipment Corporation, Grand Union's wholly-owned subsidiary which sells gravity shelving for storage, display and order selection of a wide variety of merchandise. Sales of installations to wholesalers, rack jobbers, food retailers and wholesalers and general merchandise manufacturers and retailers continued at the record level attained in 1965.

Pictorial Review

Grand Way stores and merchandise offerings have been steadily up-graded in recent years. Decor and customer conveniences compare with major full-line department stores. Women's fashions are emphasized.

Customers turned out in large numbers for the opening of each of the six Grand Ways in 1966. This is a glimpse of the first-day throng of enthusiastic shoppers in the store in East Paterson, New Jersey.

Large "Family Paks" in the meat departments of Grand Union supermarkets offer substantial savings that appeal especially to mothers and fathers in the growing "young family" group.



More and more delicatessen departments and luncheonettes are being opened in larger stores in response to customer preference for variety and convenience in supermarket shopping.

"Alcove" meat departments, deeply recessed and out of the mainstream of store traffic, allow unhurried selection of beef, pork, lamb, poultry and specialty meats in larger new Grand Union supermarkets.

Consolidated Balance Sheets

ASSETS	Feb. 25, 1967	Feb. 26, 1966
Current assets:		
Cash	$ 19,009,597	$ 18,529,561
Temporary cash investments, at cost	347,835	5,908,213
Accounts receivable, less allowance for losses	6,624,271	5,475,516
Inventories, at the lower of cost or market (note 1)	73,365,219	68,524,429
Total current assets	99,346,922	98,437,719
Investment in and advances to affiliated companies, at cost (note 2)	3,691,232	3,691,232
Fixed assets, at cost less allowances for depreciation and amortization (1967, $49,549,860; 1966, $45,152,640):		
Land	2,982,581	2,736,394
Fixtures and equipment	48,743,889	44,767,434
Leasehold improvements and leaseholds	14,424,553	13,566,858
Other	3,040,144	2,345,189
Operating and construction supplies	1,616,635	1,435,867
Other assets and deferred charges	1,916,716	2,274,332
Cost in excess of amounts of net assets at dates of acquisition	7,411,998	7,411,998
	$183,174,670	$176,667,023

See accompanying financial notes

LIABILITIES	Feb. 25, 1967	Feb. 26, 1966
Current liabilities:		
Promissory notes due within one year	$ 1,400,000	$ 1,400,000
Accounts payable and accrued liabilities	44,156,583	43,073,152
Federal income taxes	4,798,195	6,210,677
Total current liabilities	50,354,778	50,683,829
Promissory notes payable after one year in varying amounts annually through 1973	7,800,000	9,200,000
4⅛% subordinated debentures, due 1978 (note 3)	9,857,100	9,860,900
Liability for unredeemed trading stamps, less amount included in current accrued liabilities (1967, $4,828,398; 1966, $4,540,443)	1,600,000	1,520,000
Deferred federal income taxes	6,083,027	5,639,397
Deferred investment tax credit	1,911,800	1,599,500
Other noncurrent liabilities and reserves	982,996	973,095
	$ 78,589,701	$ 79,476,721
CAPITAL		
4½% cumulative preferred stock, $50 par value, callable at $52 per share; authorized 116,000 shares, issued 106,308 shares	$ 5,315,400	$ 5,315,400
Common stock, $5 par value, authorized 9,000,000 shares, issued at Feb. 25, 1967, 5,559,898 shares (notes 3 and 5)	27,799,490	26,469,245
Capital surplus, as annexed	57,486,630	53,103,697
Retained earnings, as annexed (note 6)	14,005,252	12,323,777
	104,606,772	97,212,119
Less, treasury stock at cost (at Feb. 25, 1967, 1,705 common shares)	21,803	21,817
	$104,584,969	$ 97,190,302
	$183,174,670	$176,667,023

See accompanying financial notes

INCOME AND RETAINED EARNINGS

	Fifty-two weeks ended Feb. 25, 1967	*Fifty-two weeks ended Feb. 26, 1966*
Net sales	$836,241,741	$779,683,407
Cost of sales	651,961,104	606,823,236
Gross profit	$184,280,637	$172,860,171
Operating and general expenses:		
Salaries and wages to employees in the sales department	$ 74,852,924	$ 70,273,395
Other selling, administrative and general expenses	87,525,985	81,013,273
	$162,378,909	$151,286,668
	$ 21,901,728	$ 21,573,503
Other deductions, principally interest expense, net	1,597,917	1,221,378
Income before provision for federal income taxes	20,303,811	20,352,125
Provision for federal income taxes (note 4)	9,400,000	9,500,000
Net income	10,903,811	10,852,125
Retained earnings, beginning of period	12,323,777	10,403,355
	23,227,588	21,255,480
Less dividends:		
On common stock:		
In cash, 60¢ per share	3,294,211	3,131,364
In common stock, based on market price (1966, 5%; 1965, 4%)	5,689,029	5,561,243
On 4½% cumulative preferred stock, in cash	239,096	239,096
Retained earnings, end of period (note 6)	$ 14,005,252	$ 12,323,777

CAPITAL SURPLUS

Balance, beginning of period	$ 53,103,697	$ 48,242,853
Add:		
Excess of retained earnings capitalized in connection with stock dividends over par value of shares issued	4,365,999	4,550,108
Excess of amounts received over par value of common shares issued and, in 1965, cost of treasury shares reissued under employees' stock options	14,009	303,920
Excess of principal amount of debentures converted into common stock over par value of shares issued (note 3)	2,925	6,816
Balance, end of period	$ 57,486,630	$ 53,103,697

See accompanying financial notes

Notes to Financial Statements

(1) Inventories: Cost of inventories is determined as follows: at warehouses, "average" or "first-in, first-out"; at retail outlets, "retail method."

(2) Principles of Consolidation: The consolidated financial statements include the accounts of all wholly owned subsidiaries. The company's investment in affiliated companies represented approximately 29% and 51%, respectively, of the outstanding common stock of Eastern Shopping Centers, Inc., and Performance Incentives Corporation. Eastern acquires, develops and operates shopping centers while PIC offers employee incentive plans for business organizations. At February 25, 1967, the company's equity in the net assets of and advances to these affiliates, based upon the most recent audited financial statements, amounted to approximately $3,226,000.

(3) Debentures: The 4⅛% debentures outstanding at February 25, 1967 are convertible until July 15, 1968, into common stock on the basis of $23.07 principal amount of debentures for each share of stock. The conversion price is subject to certain adjustments as specified in the indenture. At February 25, 1967, an aggregate of 427,270 shares of common stock was reserved for the conversion of such debentures.

(4) Federal Income Taxes: The provision for federal income taxes includes $756,000 for the period ended February 25, 1967 and $1,163,000 for the period ended February 26, 1966, applicable to deferred income taxes and investment tax credit. The investment tax credit is being amortized over the useful life of the property.

(5) Stock Options: A summary of the share activity of the stock option plans follows:

Options outstanding, February 26, 1966	415,700
Shares added to reflect 5% stock dividend	22,042
Options granted at $17.00 per share	40,708
	478,450
Options exercised, cancelled or expired	60,487
Options outstanding, February 25, 1967	417,963

(held by approximately 5,700 employees at prices ranging from $15.87 to $27.23 per share).

The outstanding options are exercisable in varying amounts through September 8, 1971.

No further options may be granted under the 1961 plan and per share prices for options granted under the 1964 plan may not be less than 100% of the market price on the dates options are granted. Options may not be granted to directors who are not also officers.

At February 25, 1967, 49,597 shares of common stock were reserved for future grants under the 1964 stock option plan.

(6) Restrictions on Dividends: The note agreements and the 4⅛% debenture indenture contain provisions as to the maintenance of working capital and payment of cash dividends. The most restrictive of these provides that consolidated working capital may not be less than $14,500,000, and that payments for net acquisitions of the company's stocks and for cash dividends will be limited in the aggregate to 75% of the consolidated net earnings after March 2, 1957. At February 25, 1967, 75% of such consolidated net earnings exceeded such payments by approximately $29,200,000 and, accordingly, none of the balance of retained earnings is so restricted.

(7) Property Leases: The company operates principally in leased premises and at February 25, 1967 there were 515 leases expiring after February 28, 1970. The minimum annual rentals on such leases, not including real estate taxes or other expenses payable under the terms of certain of the leases, aggregate approximately $15,835,000 of which $1,581,000 pertains to leases for stores not yet open as of February 25, 1967. Of the aggregate annual rentals, $10,789,000 applies to leases expiring prior to February 27, 1982 and $5,046,000 applies to leases expiring thereafter but prior to 1992. In addition, the company is contingently liable on 26 leases applicable principally to stores sold, expiring after February 28, 1970, but prior to 1984 and having minimum annual rentals aggregating $838,000.

(8) Depreciation and Amortization: Costs and expenses include depreciation and amortization of $8,244,000 and $7,517,000 for the periods ended in 1967 and 1966, respectively.

Source and Use of Funds

	Fifty-two weeks ended Feb. 25, 1967	Fifty-two weeks ended Feb. 26, 1966
SOURCE		
Net income	$10,903,811	$10,852,125
Charges to income not requiring funds:		
Depreciation and amortization	8,244,000	7,517,000
Deferred income taxes and investment tax credit	756,000	1,163,000
Sale of stock under stock option plans	20,414	560,867
Changes in other assets and liabilities, net	266,628	(943)
	$20,190,853	$20,092,049
USE		
Cash dividends	$ 3,533,307	$ 3,370,460
Additions to fixed assets, net	14,019,292	13,325,296
Reduction in long term notes payable	1,400,000	1,500,000
Increase in working capital	1,238,254	1,896,293
	$20,190,853	$20,092,049

Ten Year Financial Summary (Dollar amounts in thousands except for per share figures)

FOR THE YEAR	1966	1965	1964
Sales	836,242	779,683	740,040
Earnings before federal income taxes	20,304	20,352	18,572
Federal income taxes	9,400	9,500	9,000
Net earnings	10,904	10,852	9,572
Earnings per common share (1) (2)	1.92	1.92	1.70
Cash dividends per common share (1) (3)	.59	.57	.54
Stock dividends	5%	4%	4%
Depreciation and amortization	8,244	7,517	7,180
Net earnings as a percent of sales	1.30%	1.39%	1.29%
AT THE YEAR END			
Working capital	48,992	47,754	45,858
Ratio of current assets to current liabilities	1.97 to 1	1.94 to 1	1.96 to 1
Equity of common stockholders	99,270	91,875	83,824
Equity per common share (1)	17.86	16.53	15.18
Number of stores at year end	540	532	518
Grand Way department stores included above	30	25	25

(1) Adjusted for common stock dividends and the three-for-two split effective June 15, 1959.

(2) Earnings per share are stated after dividends paid on the 4½% cumulative preferred stock.

(3) Dividends on common stock have been paid at an annual rate of 60 cents per share since August, 1959.

Auditors' Report

To the Stockholders, The Grand Union Company, East Paterson, New Jersey:

We have examined the consolidated balance sheet of The Grand Union Company and Subsidiaries as of February 25, 1967, the related statements of income and retained earnings and of capital surplus for the fifty-two week period then ended and the statements of source and use of funds for the fifty-two week periods ended February 25, 1967 and February 26, 1966. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported upon the financial statements of the Company and Subsidiaries for the fifty-two weeks ended February 26, 1966.

In our opinion, the aforementioned financial statements present fairly the financial position of The Grand Union Company and Subsidiaries at February 25, 1967 and February 26, 1966, and the results of their operations and source and use of funds for the fifty-two week periods then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Lybrand, Ross Bros. & Montgomery

New York, April 13, 1967

1963	**1962**	**1961 (53 weeks)**	**1960**	**1959**	**1958**	**1957**
667,417	630,530	640,622	604,274	603,468	503,713	427,871
14,370	10,204	14,583	14,471	15,154	13,097	11,583
7,350	5,150	7,430	7,380	7,800	6,650	5,770
7,020	5,054	7,153	7,091	7,354	6,447	5,813
1.24	.88	1.27	1.28	1.35	1.27	1.25
.53	.51	.50	.48	.45	.40	.34
2%	3%	3%	5%	3%	5%	5%
6,586	6,381	6,163	5,737	5,289	4,232	3,337
1.05%	.80%	1.12%	1.17%	1.22%	1.28%	1.36%
43,829	38,987	38,210	34,481	30,402	25,143	18,515
2.08 to 1	2.14 to 1	1.98 to 1	1.87 to 1	1.85 to 1	1.73 to 1	1.68 to 1
76,607	72,702	70,837	64,759	59,623	51,181	36,773
14.01	13.30	12.93	12.06	11.23	9.84	8.06
503	497	475	472	451	472	381
23	23	20	20	14	11	3

Directors and Officers

The Grand Union Company

Directors

*THOMAS C. BUTLER	*Chairman of the Board and Chief Executive Officer*
*LOUIS A. GREEN	*Chairman of the Executive Committee; Partner, Stryker & Brown, Securities, New York City*
*CHARLES G. RODMAN	*President*
EMERSON E. BRIGHTMAN	*Senior Vice President*
HELEN G. CANOYER	*Dean of the State College of Home Economics, Cornell University*
S. WILLIAM GREEN	*Attorney, Paul, Weiss, Rifkind, Wharton & Garrison; member New York State Assembly*
IRVING KAHN	*Partner, Abraham & Co., Securities, New York City*
*LAWRENCE C. MARSHALL	*Vice Chairman Board of Directors, The Chase Manhattan Bank, N.A.*
WILLIAM I. MYERS	*Former Dean, College of Agriculture, Cornell University, Ithaca, New York*
WILLIAM H. PREIS	*Senior Vice President*
ARTHUR J. QUINN	*Executive Vice President, The New York Bank for Savings*
*JOHN E. RAASCH	*Former President & Chairman Board of Directors, John Wanamaker*
LAURENCE A. TISCH	*Chairman Board of Directors & President, Loew's Theatres, Inc.*

**Executive Committee*

Officers

THOMAS C. BUTLER	*Chairman of the Board and Chief Executive Officer*
CHARLES G. RODMAN	*President*
EMERSON E. BRIGHTMAN	*Senior Vice President*
WILLIAM H. PREIS	*Senior Vice President*
THOMAS R. DOYLE	*Vice President*
LLOYD W. MOSELEY	*Vice President*
EARL R. SILVERS, JR.	*Vice President*
CHARLES H. HAIGHT	*Treasurer*
LEONARD WOLFRAM	*Secretary*
JOHN H. MILBANK	*Assistant Treasurer and Controller*
FREDERICK H. GUNTSCH	*Assistant Secretary*

Transfer Agent

The Chase Manhattan Bank, N.A.
New York, N.Y. 10015

Registrar

Chemical Bank New York Trust Company
New York, N.Y. 10015

Right: Grand Union general offices in Elmwood Shopping Center, East Paterson, N.J.


GRAND
UNION
GRAND

The Grand Union Company

GENERAL OFFICES

100 Broadway, East Paterson, N. J. 07407